

## ROUTING AND RECORD SHEET

SUBJECT (Optional)

FY 86 Budget Proposals for Civil Service

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a minority staffer  
for House Post Off.  
& Civil Service Comte  
gave me attached  
information.

Subject: FY86 Budget Proposals for Civil Service  
January 11, 1985 (expected, but not final)

1. Federal pay: pay cut of 5% effective October 1, 1985
2. Health benefits: re-introduce voucher but delete provisions requiring USPS and DC to pay agency share of retiree health premium
3. Retirement:

COLA. One year freeze on January 1986 COLA. Thereafter, COLA would be lesser of change in CPI or GS pay increase. That "reference amount" would be applied to the first \$10,000 of pension income. Amounts above \$10,000 would be adjusted by 55% of the reference amount. \$10K base indexed to CPI each year.

Retirement age. Administration would change retirement age from 55 to 65. Penalty of 5% per year under age 65 would be phased in over 10 years. Those under 55 at time of enactment would take penalty of  $1/2\%$  times number of years under age 55 at time of enactment; then that number times years under age 65 at time of retirement. Example: someone age 48 at time of enactment who later retires at age 55 would take a cut of 35% in the annuity  $[(55-48) \times 1/2\% \times (65-55)]$ .

Benefit eligibility. Administration would no longer permit unused sick leave to be credited toward years of service. This proposal would be phased in over 5 years (in FY86, employee could use 80% of unused sick leave, FY87, 60%, etc.)

Benefit calculation. Administration would change salary base from high-3 to high-5 salary years. Effective in three years, this proposal would not affect current eligibles.

Misc. benefit changes. Minimum benefit and adult student benefit would be terminated for new eligibles beginning in FY86. Current recipients would not be affected. Proposal is consistent with prior security changes.

Survivor benefits. Administration would change death-in-service benefit for surviving spouse consistent with social security. Under current law, survivor gets 55% of annuity deceased employee eligible for or, lesser of 40% of pay or 55% of potential annuity projecting service to age 60 regardless of age or presence of children. Under social security, benefit granted only where there are children under age 16, and expires when children become 16.

Contributions. Administration proposes to raise employer contribution of USPS and DC to full normal cost by 2% per year over 10 years. Note: NO increase in employee contributions proposed since Administration wants to cut federal pay by 5 percent.